

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A.
FROM THE EXERCISING OF SUPERVISION OVER
THE COMPANY'S ACTIVITIES FOR THE FINANCIAL YEAR 2013**

In 2013 the Supervisory Board of PROCHEM S.A. of the 9th term comprises of:

1. Andrzej Karczykowski - Chairman
2. Marek Garliński - Vice Chairman
3. Dariusz Krajowski - Kukiel
4. Krzysztof Obłój
5. Adam Parzydeł

The Supervisory Board supervised the operations of the Company in all areas of its activities in accordance with Art. 382 of the Code of Commercial Companies, the Articles of Association of PROCHEM S.A. and the Regulations of the Supervisory Board.

In 2012 the Supervisory Board held six meetings. At the meetings of the Supervisory Board were mainly discussed the economic and financial issues and the strategy for the development of PROCHEM S.A. and PROCHEM S.A. Capital Group, as well as other matters important for the operations of the Company.

Cooperation with the Management Board proceeded correctly. Materials submitted by the Board constituted the substantive basis for discussion and adoption of resolutions by the Supervisory Board.

Last year the Supervisory Board of PROCHEM S.A. adopted 18 Resolutions.

The Board carries out the responsibilities of the Company's Audit Committee.

In the scope of economic and financial matters:

- was evaluated on an ongoing basis the financial position of the Company and PROCHEM S.A. Capital Group,
- was analyzed in detail the economic performance of the Company and of the Capital Group in subsequent quarters of 2013,

- on the basis of detailed materials prepared by the Management Board of the Company systematically inspects the income statement and the balance sheet of the Company, receivables and liabilities of the Company, cash flows analysis, ratio analysis (profitability ratios, financial liquidity ratio, solvency ratio and capital ratios), analysis of cost of sales, and also analyzes the situation in the field of acquiring of new orders and the degree of the implementation of the plan,
- were discussed assumptions to the financial and the economic plan - for the financial year 2014,
- was accepted the proposal of the Board regarding the distribution of profit for 2013,
- was analyzed effectiveness of activities of the companies belonging to PROCHEM S.A. Capital Group.

In the scope of supervision of the key themes:

- was analyzed and assessed the degree of execution of the contract in Belarus, what resulted from its scale (EUR 48.2 million) and the specific risks of the political and the system nature, occurring in this country,
- was analyzed and assessed the progress in implementing the development project of office centre of ASTRUM Business Park in Warsaw, what is connected with the scale, the participation of a financial partner, as well as because of the special risks which are occurring in property market,
- was conducted monitoring of activities which are to lead to a gradual restructuring of the Group.

Audit Committee:

The Supervisory Board performs the duties of the Audit Committee in the Company. In addition to the performance of these duties within regular meetings of the Supervisory Board are held two separate meetings which are entirely devoted for the issues related to the audit. These meetings were attended by representatives of the auditor - KPMG Audit Sp. z o.o.

The Supervisory Board, while performing the function of the Audit Committee, among others:

- has appointed an auditor to audit the books of account of the Company for 2013,
- has analyzed the financial statements, opinion and auditor's report,
- has discussed with the auditor the results of audit of books of account,
- has discussed with the Board the comments and recommendations of the Auditor,
- has made an assessment of the work of the auditor.

During analyzes Committee has paid particular attention to the risk factors in the Company.

Conclusion

Acting on the basis of art. 382 § 3 of the Commercial Companies Code and Articles of Association of the Company, the Supervisory Board performed an analysis and evaluation of the documents listed below with respect to their compliance with the books and documents, as with the actual state:

- separate financial statements of PROCHEM S.A. for the financial year 2013 along with the opinion and report of the independent auditor,
- consolidated financial statements of PROCHEM S.A. Capital Group for financial year 2013 along with the opinion and report of the independent auditor,
- The Report of the Management Board on the Company's activities in 2013,
- Management Board proposal regarding the distribution of profit for the year of 2013.

The above-mentioned financial statements for 2013 have been subjected to a study by KPMG Audit Sp. z o.o. with its registered office in Warsaw. Report from the audit and the opinions of experts, constituting their synthesis, were the basic analytical material of that was subjected to the assessment of the Supervisory Board.

Taking into consideration, therefore, assessments and opinions included in the listed source materials as competent and comprehensive, the Council considered that the financial statements for 2013, in all material respects, been prepared in accordance with applicable laws, accounting principles and standards, and in accordance with the facts disclosed in books. The Supervisory Board recommends to the General

Meeting of Shareholders to approve the financial statements PROCHEM S.A. for the financial year 2013 and consolidated financial statements of PROCHEM S.A. Capital Group for the same period.

The Supervisory Board has subjected to the analysis also the report of the Management Board on the company's activities in 2013. The Supervisory Board concluded that the financial statements fairly present the undertaken economic activities, and allows of the assessment of the financial position and assets of the Company. The Supervisory Board concludes to the General Meeting to grant the discharge of duties for the Management Board members in the financial year 2013.

At the same time, the Council recommends the General Meeting of Shareholders an approval of the resolution on distribution of profit for 2013, and the appropriation of net profit in the amount of PLN 6,643,123.89 entirely for reserve capital.

Signatures of the members of the Supervisory Board :

1. Andrzej Karczykowski

2. Marek Garliński

3. Krzysztof Obłój

4. Dariusz Krajowski - Kukiel

5. Adam Parzydeł
